

2003 Advisory Actions

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Issue Number 06: Information from the State Allocation Board meeting held on July 2, 2003

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It's Important to Take Action Now...

from the desk of the executive officer



I want to emphasize the importance of taking action now to file your new construction and modernization School Facility Program (SFP) applications. There is much to accomplish for all of us to be ready for March 2004. After deducting current workload, approximately \$1.9 billion remain for new construction projects. It is equally important to show continued funding need for the modernization of your existing facilities.

As we work together with our sister agency—the Division of the State Architect (DSA)—the DSA reports that many project plans are in 'back-check' with follow up required from the project architect. Some districts with DSA approved plans have not yet filed their SFP applications. We are currently in contact with those districts to offer OPSC assistance with their project budget estimates, and completion of funding and/or financial hardship applications. I welcome you to read more about our District Outreach Program in this issue. If you need any assistance, please pick up the phone and call your OPSC Project Manager.

On a note of accomplishment, it is with much pride and appreciation for everyone's hard work that I announce that the State Allocation Board (SAB) approved over \$97 million in Proposition 47 funds at its July 2nd meeting for the construction of charter school facilities. The Charter School Facility Program is a pilot program that allows charter schools to access State facility funding directly for the first time. As a pilot program, we have continually compiled public comments and feedback regarding the first round of funding. The OPSC will be presenting recommendations in the *Charter School Facility Funding Joint Report* to the SAB at its July 23, 2003 meeting.

The SAB also approved SFP Regulation changes that specify the increase to the per pupil grants to accommodate the State's share of the increased cost of new construction and modernization projects due to the initiation and enforcement of a labor compliance program (LCP) as provided for in Assembly Bill 1506 (Chapter 868/2002). You may want to read on to learn if your district qualifies for additional funds for your SFP project. Other useful and important information is contained in this month's issue regarding helpful site acquisition tips, our State Relocatable Classroom Program and the importance of district project certifications.

As you finalize your current construction plans and plan ahead to meet the facility needs of our children, you have my commitment that we will provide exceptional service. In support of your facility needs... *we look forward to helping you take action now!*

Luisa M. Park, Executive Officer

OPSC Reminders...

- ▶ **State Allocation Board Meetings***
Wednesday, July 23, 2003
Wednesday, August 27, 2003
Wednesday, September 24, 2003
- ▶ **Implementation Committee Meetings***
Friday, August 1, 2003
Friday, September 5, 2003
Friday, October 3, 2003
- ▶ **Regional Occupational Center Facilities Report, SAB Form 406R**
Due triennially (September 1, 2003) districts must report on the facilities utilized for the operation of a regional occupational center or program per Education Code Section 17285(d).
- ▶ **SFP Joint Use Funding Cycle**
The filing dates for the SFP Joint Use Program are June 1, 2003 through May 31, 2004 to be apportioned July 2004 or July 2005.
- ▶ **Interest Earned Report (Form SAB 180)**
Due quarterly (March 31, June 30, September 30, December 31) from each county for all districts which have earned interest from the Leroy F. Greene Lease-Purchase Fund.

* Meeting dates, times and locations are subject to change. For the latest meeting information, check the OPSC Web site at www.opsc.dgs.ca.gov.

Certifications Made on the Application for Funding, Form SAB 50-04

By Noé Valadez, OPSC Audit Supervisor

One aspect of the School Facility Program (SFP) expenditure and progress audit is to verify program certifications made by the participating school district on the Form SAB 50-04, Application for Funding. On this form, the district and project architect certify that various legal requirements have been met prior to requesting the project's apportionment or will be met as required. A sample of the certifications made on this form include:

- ▶ The project architect certifies that the estimated construction portion of the project is at least 60 percent of the total grant amount (State and district share), less site acquisition costs for a new construction project or including interim housing costs if a modernization project.
- ▶ The district established a Restricted Maintenance account for ongoing and major maintenance of the district's facilities, and has deposited the required 3 percent for a period of 20 years beginning the fiscal year after the receipt of State funds.
- ▶ The district will comply with all applicable laws pertaining to the construction or modernization of the district's buildings.
- ▶ A competitive selection process was used when selecting the project architect, other design professionals, construction manager, surveying professional, and construction test vendor.
- ▶ The district has or will comply with the Public Contract Code regarding all laws governing the use of force account labor.
- ▶ The district will have project funds reduced to costs incurred if there is no evidence substantial progress was made within 18 months of receiving an apportionment, except Environmental Hardship projects.
- ▶ The district will have the project reduced to costs incurred if there is no evidence substantial progress was made within 12 months of receiving funding for an Environmental Hardship approval.

- ▶ The district matching funds have been expended by the district, deposited in the County School Facility Fund or will be expended by the district prior to the notice of completion for the project. Any savings remaining must also remain in the County School Facility Fund for future high priority capital facility use.
- ▶ The district has or will initiate and enforce a Labor Compliance Program that has been approved by the Department of Labor Relations pursuant to Labor Code Section 1771.7.

It is important that all districts be attentive to the information that they are certifying for the project. If the district is unable to provide documentation that substantiates the certifications were met, monetary penalties may result. When this occurs, an item may be presented to the State Allocation Board (SAB) that details the audit exceptions which could lead to the SAB making a finding of material inaccuracies (Regulation Section 1859.104.1). If a material inaccuracy finding is made, the amount received from any funding advantage will be reimbursed to the State. The districts may also be required to follow an alternative filing process that prohibits self-certifications for applications for a period of up to 5 years (Regulation Section 1859.104.2–104.3).

We recommend that you take time to familiarize yourself with the certifications you are making as a condition of receiving State funding. Be prepared to support these various certifications by maintaining appropriate supporting evidence in your project records. Taking proactive steps in the onset of your project is the best way to avoid potential problems at the audit.

We can arrange a visit at your district or make an appointment here at OPSC to provide you with guidance on our audit guidelines and some examples of acceptable documentation. To aid you in this endeavor, please feel free to contact Noé Valadez, Audit Supervisor, at 916.322.7628, or Lien Hoang, Audit Supervisor, at 916.322.0315.

AB 1506 Update... Could your SFP Project Qualify for Additional Funds?

Labor Code Changes that Impact the SFP

By Liz Yokoyama, OPSC Project Manager

Refresher

Significant Labor Code changes have taken place that affect both new construction and modernization projects funded under the School Facility Program (SFP). Assembly Bill (AB) 1506 (Chapter 868/2002) now requires that, prior to receiving a fund release, a district shall be required to make a certification that a labor compliance program (LCP) approved by the Department of Industrial Relations for the project apportioned under the SFP has been initiated and enforced if both circumstances exist as follows:

- ▶ Your SFP new construction or modernization project was funded with Proposition 47 funds or from the future 2004 State Bonds; and,
- ▶ The Notice to Proceed for construction phase of the project was issued on or after April 1, 2003.

AB 1506 requires the State Allocation Board (SAB) to increase the per pupil grant amounts to accommodate the State's share of the increased cost of new construction and modernization projects due to the initiation and enforcement of a LCP.

What's New?

On July 2, 2003, the SAB approved the SFP Regulation changes that specify the increase to the per pupil grants for LCP's. Once these emergency regulations are in place, all qualifying projects will receive the per pupil increase with its adjusted grant (full and final) apportionment.

To accommodate those districts that were required to comply with the LCP requirements prior to the enactment of the grant increases, AB 1506 provides for an exception to the full and final apportionment provisions in the law. This

means an impacted project can receive an adjustment to its apportionment; however, it is available only if the district was required by AB 1506 to initiate and enforce a LCP for that project.

How Do I Access the Additional Funding If My SFP Project Qualifies?

In an effort to assist eligible districts in obtaining its increase for LCP costs, the Office of Public School Construction (OPSC) mailed a letter and certification form to impacted districts on July 10, 2003, which identified projects that may qualify for the additional funding. The letters were mailed to districts with SFP projects that received its adjusted grant funding from Proposition 47 between December 18, 2002 and July 2, 2003. Projects with only separate site, environmental hardship and/or design apportionments funded during this time period were not identified in these letters. These projects will receive consideration for the LCP costs at the time the project receives its adjusted grant.

If your district received this letter, please review it and the certification form carefully to determine if your project(s) qualify for the increase. If your project(s) qualify for the increase, the authorized district representative should complete and mail the certification form to be received by the OPSC no later than July 25, 2003.

Who Do I Contact for Questions?

If your district representative has not received the letter and you feel that your district has project(s) that qualify for the LCP increase, please contact your OPSC Project Manager immediately for clarification.

Over \$97 Million Approved for Charter School Facility Program

By Lisa Constancio, OPSC Program Supervisor

The State Allocation Board (SAB) on July 2, 2003 approved over \$97 million for the construction of six charter school facilities with funds from the Proposition 47.

The Charter School Facility Program is a pilot program that allows charter schools to access State facility funding directly for the first time. The program provides that applicants receive a reservation of funding while obtaining the necessary approvals from other State entities necessary to construct a school with State funding. A charter school will receive funds from the State once all approvals are acquired. In addition, applicants underwent a review process from the California School Finance Authority (CSFA) to ensure the State funding goes to those charter schools that were able to demonstrate financial stability.

The OPSC along with CSFA will be presenting recommendations in the *Charter School Facility Funding Joint Report* to the SAB at its July 23, 2003 meeting. Both agencies have compiled public comments and feedback regarding the first round of funding and this information is included in the report.

If you have any questions regarding this program, please contact Lisa Constancio, Supervisor, at 916.322.0317. For questions relating to financial soundness, please contact Lara Larramendi-Blakely, Executive Director, CSFA at 213.620.4467.

How to Stake Your Claim in California's Real Estate... the OPSC Way

By Masha Lutsuk, OPSC Project Manager

As real estate prices are soaring throughout most California communities, school districts are finding it more challenging to find suitable and affordable sites for new schools. Assistance is available! The School Facility Program (SFP) provides for matching State funding for new school site acquisition. Below are some frequently asked questions and answers regarding site acquisition funding and the documents required for submittal to the OPSC.

Q. *Can a school district get matching State funding for a site that it purchased some time ago?*

Yes, as long as the site has not been previously paid for with State funds and has not been used for any of the district's construction projects. The State funding will be based on the lesser of the fair market value determined by a current appraisal or the purchase price of the site.

Q. *What constitutes a current appraisal?*

The SFP Regulations require that the property appraisal must be made or updated no more than six months prior to application submittal to the OPSC for funding. A school district may obtain an update to the original outdated appraisal report provided the same appraiser re-inspects the site, re-counts recent market conditions and provides a current valuation.

Q. *What documents does the OPSC need to verify the purchase price of the site?*

A school district should provide a final (or an estimated) closing statement issued by a title company containing the following information: escrow number, estimated closing date, sales price and property description.

Q. *Is there any funding available for donated sites?*

If the district accepted real property as a gift, it may still be eligible to receive supplemental site acquisition grants for Department of Toxic Substances Control review costs and hazardous waste clean-up as well as the \$25,000 for site surveys, escrow and appraisal fees.

Q. *Eminent domain proceeding can last a long time and delay the construction project. Must a school district wait until it receives the final judgment in condemnation to apply to OPSC for site acquisition funding, or can it apply for funding before the case is finalized?*

A funding application can be submitted before the final judgement is issued by the court. The site acquisition amount may be calculated by the amount of the probable compensation for the site, determined by the court and an order of possession issued to the school district. The apportionment will be adjusted at project closeout to reflect the final judgment.

As always, the OPSC encourages school districts to seek assistance from legal counsel in real estate acquisitions. If you have questions regarding acquisition costs that may be eligible for State funding, please contact your OPSC Project Manager.

Approved DSA Plans

Let Us Provide Application Assistance

By Lauri Lathrop, Project Manager

In recent issues of the Office of Public School Construction (OPSC) *Advisory Actions*, the OPSC has been highlighting our continuous efforts in providing out-reach service to school districts across the State. Our goal is to work with all school districts and offer personalized resources to familiarize them with the different programs administered by the OPSC.

Currently we are following up with districts that have projects with Division of the State Architect approved new construction plans. We are arranging for specialized one-on-one services, such as guidance with the SFP Regulations, project budget estimates, and completion of funding and/or financial hardship applications. We will share information on projects and work with the Department of Toxic Sub-

stances Control and California Department of Education to aid in their processing and enable further service outreach.

Also we plan to keep districts aware of regulation changes that may affect their projects. For example, there are now allowances that can be applied to your modernization project funding requests. Were you aware of the increase to the apportionment for modernization projects with buildings that are 50 or more years old and the opportunity for additional funding for utilities for those projects? There is also an additional allowance available for Automatic Fire Detection/Alarm Systems for qualifying modernization projects.

If you would like to arrange a personalized one-on-one site visit, please call your OPSC Project Manager or our Outreach Coordinators; Steven Paul, Supervisor, and Lauri Lathrop, Project Manager. You may contact Lauri Lathrop at 916.322.7867 or via e-mail at llathrop@dgs.ca.gov. For those that are new to our programs, please visit the OPSC Web site at www.opsc.dgs.ca.gov to view the OPSC Project Manager listing.

Teacher's Guide to the State Relocatable Classroom

By Richard Sheffield, OPSC Program Supervisor

The Office of Public School Construction plans to make available in the fall, a *Teacher's Guide to the State Relocatable Classroom* that will be affixed to the classrooms' interior. The guide will include information to assist the teacher to ensure optimum classroom performance. The intent of the guide is to create awareness in order to identify and report any problems to district maintenance staff, so that repairs can be made in a timely manner. By reporting problems, it will ensure that the classrooms' health and safety issues can be addressed and are well maintained.

State law, regulations, and the lease agreement for the SRCP classrooms require the lessee to undertake all necessary maintenance, repairs, renewal, and replacement to ensure that the classrooms are kept in good repair, working order, and condition at all times. All costs incurred for this purpose are borne by the lessee. As a reminder, Deferred Maintenance funds may be utilized to assist districts with repair costs as long as the project has been placed on the district's approved Five-Year Plan.

School district staff should identify and report the following conditions that are of urgent concern in order to maintain proper building maintenance and safety:

- ▶ Water leaks.
- ▶ Entry ramp non-skid that is worn, peeling, or missing.
- ▶ Entry ramp wood paneling or skirting damage.
- ▶ Entry door handle or door closure damage.
- ▶ Weather stripping that is worn, peeling, or missing.
- ▶ Light cover that is damaged or missing.
- ▶ HVAC when it is not functioning properly.
- ▶ HVAC registers when dirty.
- ▶ Carpet spills.
- ▶ Electrical outlet cover plates when damaged or missing.
- ▶ Fire extinguisher if missing or not mounted within 24" from the door, four feet from the floor.
- ▶ Thermostat's cover when damaged or missing.
- ▶ Light fixture lens or tubes when damaged or missing.

The following are some helpful hints for building maintenance and safety:

- ▶ Fire extinguishers must always be mounted on the wall within 24" from the door, four feet from the floor.
- ▶ Windows are located in the classroom to provide day lighting, ventilation, and emergency exits. The front of each window must be free from all obstructions including teacher and student desks. Window tracks must not be bolted, screwed, or nailed in a manner that restricts the ability to slide the window open. Exterior window guards must have a one step Cal-OSHA and State Fire Marshall approved inside safety release. Do not tape anything to the window trim.
- ▶ Check CO₂ Sensor annually. Replace if not working properly.
- ▶ The electrical panel box must have a 36" clearance in front per OSHA/NEC regulations.
- ▶ The HVAC filter should be changed every 30 days to maintain indoor air quality. To ensure proper ventilation for acceptable indoor air quality the occupancy of the classroom should be limited to 32.
- ▶ Do not block HVAC registers or air intake. Do not hang anything from the ceiling grid.
- ▶ Check Intrusion Alarm Detector annually. Replace if not working properly.

If you have any questions, please contact Heather Courteau, Project Manager, at heather.courteau@dgs.ca.gov or 916.323.7794; or Richard Sheffield, SRCP Supervisor, at richard.sheffield@dgs.ca.gov or 916.322.0329.

Fund Release Authorization—Form SAB 50-05

By Lien Hoang, OPSC Audit Supervisor

School districts are reminded to exercise caution when completing the Form SAB 50-05 for fund release purposes and to be attentive to the information that they are certifying.

Once the State Allocation Board (SAB) approves a School Facility Program (SFP) grant for a new construction or modernization project, the district has 18 months to submit a Form SAB 50-05 to initiate a fund release of the State apportionment (reference SFP Regulation Section 185990). In order to receive the State fund release for construction, a district must certify the following items on the Form SAB 50-05:

1. The district’s applicable matching share has either:
- been deposited in the County School Facility Fund, or

• already been expended by the district for the project, or

• will be expended prior to the filing of the Notice of Completion.
2. The district has entered into a binding contract(s) for at least 50 percent of the construction as shown on the plans previously approved for the project, and has issued the Notice to Proceed for that contract.

During its expenditure audit, the OPSC has discovered that some districts have submitted the Form SAB 50-05 prematurely. In other words, the construction contracts were executed after, instead of before, the Form SAB 50-05 submittal date. This could lead to a finding by the SAB of a potential material inaccuracy. As a result, the district potentially could be required to repay the State funding it received including any interest earned from the premature fund release. In addition, the district may be subject to penalty provisions as specified in the SFP Regulation Section 1859.104.1.

For specific questions regarding the fund release process and the Form SAB 50-05, please feel free to contact Laurie Stetson, Accounting Supervisor, at 916.322.0140. You may refer your SFP audit process questions to Noé Valadez, Audit Supervisor, at 916.322.7628, or Lien Hoang, Audit Supervisor, at 916.322.0315.

Congratulations on Your School Openings!

We are always genuinely pleased to share in your excitement when your projects are completed and your new schools open. It is one of the highlights of our jobs as our work together results in the smiling faces of children as they start school in their new facility. Please join us in congratulating the following districts on their newly opened schools.

| SCHOOL DISTRICT | COUNTY | SCHOOL NAME | OPENING DATE |
|-------------------|-------------|----------------------------|--------------|
| Elk Grove Unified | Sacramento | Robert J. Fite Elementary | August 2002 |
| Los Angeles COE | Los Angeles | Sulphur Springs Elementary | August 2002 |
| Poway Unified | San Diego | Westview High | August 2002 |
| Rocklin Unified | Placer | Rock Creek Elementary | August 2002 |

Sometimes it is not until your district submits its expenditure report that we learn of the school opening date. We encourage you to share your good news with us, and we would be delighted to highlight your school openings in our *Advisory Actions*.

If you would like to provide us with information about your new school opening or school dedication, please reference your data as shown in the adjacent table, plus provide your project’s School Facility Program application number and submit it to:

Office of Public School Construction
ATTN: New School Openings/Dedications
1130 K Street, Suite 400
Sacramento, CA 95814

Share Positive Results with your Community with the...

"Build California" Logo

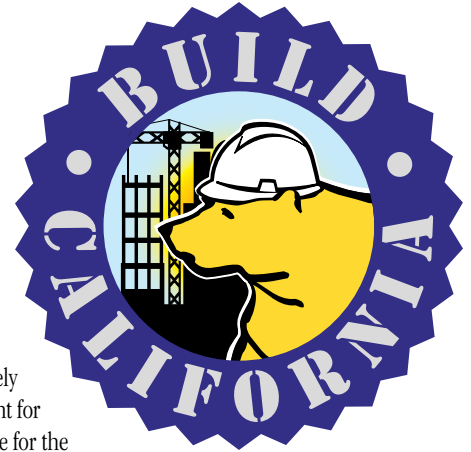
By Valerie Lane, Project Manager

The "Build California" initiative is an important and comprehensive plan of the Governor of California to greatly accelerate school construction through the allocation of \$13.5 billion education bond, approved by the voters in November 2002. The bond will generate many new schools and classrooms and modernize existing school facilities.

In recognition of these positive results for our children in our communities, the Office of Public School Construction (OPSC) is requesting districts with projects funded with Proposition 47 to place a sign in front of the school site during construction through its opening. We encourage districts to consider including the following:

- ▶ This construction (modernization) project was funded by the State Allocation Board from Proposition 47 State Bond funds as part of the Build California Initiative.
- ▶ Acknowledgement of the district's contributing local funds.
- ▶ The "Build California" graphic logo, as illustrated in this article.

The sign and logo will help communicate how your district together with the State is producing positive results for your community. The raising of awareness is likely to be helpful and important for the districts as they prepare for the March/November 2004 State Bonds, as well as any local bond initiatives the districts are pursuing.



To obtain the Build California logo for incorporation into your sign, you may download the logo at www.documents.dgs.ca.gov/opsc/whatsnew/build_ca.zip, or call the OPSC for assistance. If you have any questions, please feel free to contact your OPSC Project Manager.

Proposition 47... Funds Put to Work

Exclusive of the July 2, 2003 SAB Agenda

| PROGRAM | BOND ALLOCATION | FUNDS APPORTIONED | FUNDS RELEASED/CONTRACTED | FUNDS TO BE RELEASED |
|--------------------------------|-------------------------|-------------------------|---------------------------|-------------------------|
| New Construction | \$ 6,235,800,000 | \$ 3,853,763,773 | \$ 2,787,845,688 | \$ 1,065,918,085 |
| Modernization | 3,294,200,000 | 2,893,113,549 | 1,253,309,618 | 1,639,803,931 |
| Charter School | 100,000,000 | 0 | 0 | 0 |
| Energy | 20,000,000 | 953,175 | 110,666 | 842,509 |
| Critically Overcrowded Schools | 1,700,000,000 | 0 | 0 | 0 |
| Joint Use | 50,000,000 | 0 | 0 | 0 |
| TOTAL | \$11,400,000,000 | \$ 6,747,830,497 | \$ 4,041,265,972 | \$ 2,706,564,525 |

Status of Funds

| PROGRAM | BALANCE AVAILABLE AS OF JULY 2, 2003 |
|--|--------------------------------------|
| PROPOSITION 47 | |
| New Construction | |
| New Construction | \$ 2,163.5 |
| Charter School | 0.5 |
| Energy | 14.2 |
| Modernization | |
| Modernization | 263.5 |
| Energy | 4.9 |
| Critically Overcrowded Schools | 1,700.0 |
| Joint Use | 50.0 |
| TOTAL PROPOSITION 47 | <hr/> \$ 4,196.6 |
| PRIOR BOND FUNDS | |
| Contingency Reserve | 31.4 |
| AB 191 | 0.2 |
| Prior Bond Funds Subtotal | <hr/> \$ 31.6 |
| TOTAL PROPOSITION 47 AND PRIOR BOND FUNDS | <hr/> \$ 4,228.2 |

Note: Amounts shown above are in millions of dollars.

July 2, 2003 (for June 2003) LPP Projects—Construction Cost Indices

| INDEX | RATE |
|---------------------------------|-------------|
| Class “B” Buildings | 1.46 |
| Class “D” Buildings | 1.47 |
| Furniture and Equipment | 1.42 |
| Historical Savings Index | 8.25 |

Index Definitions

Class “B” Buildings: Constructed primarily of reinforced concrete, steel frames, concrete floors and roofs.

Class “D” Buildings: Constructed primarily of wood.

Furniture and Equipment: An index based on an adjustment factor obtained quarterly from the Marshall & Swift Company.

Historical Savings Index: An index derived quarterly from the SAB approved new construction (growth) contract bids. It is the percentage difference between the SAB/OPSC generated construction allowance and the approved contract bid.